



INSURANCE FRAUD INVESTIGATION DIVISION

Kentucky Office of Insurance

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Fraud Statistics/Charges and Convictions Activity May 2008

Fraud Statistics

	<u>Month</u>	<u>YTD</u>
Total Referrals Received.....	106	407
Open Cases (Investigations-includes prior years)		310
Assigned Cases (Investigations).....	39	156
Closed Cases (Investigations).....	4	53
Closed Cases (Investigations) Exceptionally Cleared-Declined by Prosecutor.....	0	7
Charges (15felonies).....	15	135
Convictions (9 felonies).....	9	37
Restitution Ordered.....	\$ 19,674.82	\$ 1,115,009.61

Charges and Convictions Activity

Tracy Cardwell – On or about 2/22/05, Cardwell applied for health insurance through Anthem Blue Cross Blue Shield (Anthem), and failed to disclose his true health history for specific health issues. On 4/16/08, Cardwell was charged with one felony count of fraudulent insurance acts in Warren Circuit Court.

Kelly Lee Mora – Between 6/6/06 and 11/30/06, Mora requested three checks for non-existent claims while working as a claim supervisor for Tower Hill Claims. Two of the checks were converted to his personal use. After another employee inquired about the third check, it was sent to the policyholder who had already received full payment. The total amount of the checks was \$8,885.00. On 4/30/07, Mora was charged with three felony counts of fraudulent insurance acts in Fayette District Court. On 3/14/08, Mora entered a guilty plea to three felony counts of fraudulent insurance acts. On 4/25/08, he was sentenced to one year on each count to run consecutively to each other for a total of three years, probated for five years. He was given credit for 41 days he served in jail, and was ordered to serve an additional 19 days starting on 4/28/08. He was ordered to pay restitution in the amount of \$12,305.04, be assessed by Probation and Parole's substance abuse treatment coordinator and complete any substance abuse program selected by the coordinator, pay the \$10 fee per month probation supervision fee, and court cost of \$150.00.

Michael Napadow (AKA Michael Holland) dba Nation's Hazard Insurance Company – Between 4/2003 and 1/2005, Napadow sold Errors and Omissions insurance to two home inspectors in Kentucky when he had no affiliation with any company authorized to sell this insurance. On 4/17/08, Napadow was indicted in U.S. District Court, Northern District of Illinois, Eastern Division, on two counts of wire fraud (the first count was for the Kentucky victims) and four counts of mail fraud.

John Pennington, Tena Lynn Pennington, Thomas J. Childers, Karen Lynette Fox-Burns, and Shannon Renee Hogg - Pennington, aided by Tena Pennington, Thomas Childers, Karen Lynette Fox-Burns, and Shannon Renee Hogg, devised a mail fraud scheme from 2003 to 2005 to defraud Kentucky Employers' Mutual Insurance (KEMI), of workers' compensation insurance premiums by misrepresenting to KEMI the number of employees and the amount of payroll of Pennington's company, ZAG Resources, Inc. Pennington also concealed from KEMI the ownership of JZ Trucking. Childers is the owner of CS&W Insurance Services, Inc., in Whitesburg, Fox-Burns is a licensed insurance agent for CS&W, and Hogg works for CS&W as a customer services representative. On 5/1/08, the defendants were indicted in U.S. District Court, Eastern District of Kentucky, Central Division Lexington, on two counts of mail fraud. Pennington was also charged with 11 counts of failure to pay federal taxes to the Internal Revenue Service that he withheld from his employees' wages from 2003 to 2007.

David E. Taylor – On or about 10/27/05, Taylor presented a fake insurance identification card to Jefferson District Court following a traffic citation. On 1/18/08, Taylor was charged with one felony count of fraudulent insurance acts in Jefferson District Court. On 1/28/08, he pled guilty to the amended misdemeanor charge of Attempted Fraudulent Insurance Acts. He received 365 days conditionally discharged for two years.

John S. Webb – Between 1/5/05 and 1/31/07, Webb cashed 27 workers' compensation checks made payable to his father, John R. Webb, who died in 1996. On 6/8/07, Webb was charged with 27 felony counts of Criminal Possession of a Forged Instrument 2nd, in Jessamine Circuit Court. Through a recommendation of the Commonwealth, he pled guilty to five counts with the remaining counts dismissed. He was sentenced to five years on each count to run concurrent, conditionally discharged for five years, and was given credit for 33 days he spent in custody prior to sentencing. Webb was ordered to pay restitution in the amount of \$7,369.78 to Underwriters Safety & Claims, Inc., and pay a fine in the amount of \$592.76. He must submit to substance abuse evaluation if required by Probation and Parole, and serve a period of confinement in jail for three months which will be held in abeyance as long as he complies with his probation.